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MENTOR

EXPLORATION AND DEVELOPMENT
CO., LIMITED



ANNUAL
REPORT

FOR THE YEAR ENDED DECEMBER 31ST, **1973**

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

(Incorporated under the laws of the Province of Ontario)

Executive and Head Office	Suite 300, 365 Bay Street, Toronto, Ontario M5H 2V1
Directors	ARCHIE BASEN IRVING DOBBS PHILIP DRUTZ GORDON W. KIRK, P.Eng. PAUL PENNA ALBERT WASSERMAN
Officers	PAUL PENNA, <i>President</i> MIKEY DRUTZ, <i>Secretary-Treasurer</i>
Consulting Geologist	W. A. HUBACHECK, B.Sc., P.ENG.
Transfer Agent and Registrar	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario
Auditors	STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL Chartered Accountants Willowdale, Ontario
Solicitors	SHIBLEY, RIGHTON & McCUTCHEON Toronto, Ontario
Shares Listed	TORONTO STOCK EXCHANGE Toronto, Canada
Annual Meeting	June 14, 1974, 11:30 a.m. (Toronto Time), The Library, Royal York Hotel, 100 Front Street West, Toronto, Ontario

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors present the following review of corporate activities and principal investments for the year ended December 31, 1973.

During the year, preliminary evaluations were made on 52 prospects and property submissions all of which were found to be without economic interest. Evaluations of other situations are continuing.

Your Company has shareholdings in Agnico-Eagle Mines Limited, Goldex Mines Limited and Sudbury Contact Mines, Limited. The quoted value of the Company's portfolio of marketable securities has shown considerable appreciation during the past year, doubling from \$3,430,012 at the end of 1972 to \$6,993,445 at year end 1973.

At May 1, 1974 your Company held 952,191 shares of Agnico-Eagle Mines Limited representing approximately 6.9% of the issued and outstanding capital, and 82,000 shares of Goldex Mines Limited. Holdings in its affiliate, Sudbury Contact Mines, Limited is 1,235,582 shares which are carried at a cost of \$204,919 and a quoted market value at year end of \$432,454.

The value of your Company's investment portfolio has materially increased by reason of the following circumstances respecting Agnico-Eagle Mines Limited.

Silver Division

The Penn Mill of Agnico-Eagle's silver division commenced seasonal operation in June treating ore from the Trout Lake Mine in South Lorrain Township, Ontario. The value of silver production in 1973 at \$3,416,440 was the highest on record in the 21-year period since the incorporation in 1953 of the predecessor company, Agnico Mines Limited. Total silver recovery at

1,130,966 ounces was also the greatest in any single year since 1958.

The contributing factors to this unprecedented year of operations were the high productivity from the Trout Lake Mine, and the prices received for silver during the year which averaged \$3.02 per ounce for the 1973 mill output.

The continued buoyant trend in silver prices thus far in 1974, rising to a high of nearly \$7.00 per ounce early in March and at the time of writing quoted at around \$5.20 per ounce, is clearly relevant to this Company's production and revenue expectations during the current year. The consensus among many recognized silver marketing authorities is that world silver prices will be maintained at high levels during 1974.

As previously stated, the decision of the Company in 1972 to defer milling operations to 1973 was demonstrated as a most profitable judgment. The average quoted price for silver in 1972 was approximately \$1.72 per ounce.

Due to the high silver prices seasonal operation of the Penn Mill commenced in May this year a month earlier than scheduled. Initially it is planned to use low grade tailings and rock dumps located on various properties owned by the Company. This will be augmented later in the year from conventional mining operations, principally from the Trout Lake Mine which continues to respond favourably to the sustained program of underground development and exploration.

The very extensive program of exploration at the leased Frontier Mine in South Lorrain Township which has been sustained since 1971 was temporarily terminated. While the total 18,834 feet of underground diamond drilling carried out on this property failed to locate ore zones of

mineable dimensions, the exploratory work did provide valuable information for further exploration planned to be carried out from the Trout Lake Mine located to the south.

The Temiskaming Mine and connecting Cobalt Lode and Christopher properties in the main Cobalt Camp will be principal exploration targets for the year. As soon as rehabilitation work down to the 1600 foot level is completed it is planned to drive a crosscut from the lower contact workings of the Temiskaming property west towards the contiguous Cobalt Lode and Christopher properties to provide drill stations for exploration drilling beneath the formerly highly productive ore zones of the upper contact.

Gold Division

By year end construction of the milling plant was completed and production commenced at the Joutel Township gold property. It coincides with a strong and sustained upsurge in world gold prices which now appear firmly stabilized at a probable 'floor' price above \$150 per ounce and predictably pointing to much higher levels, probably above \$200 per ounce before the end of 1974.

Start-up date was moderately behind original schedule owing to delays in obtaining delivery of certain important pieces of equipment. Operation of the crushing-grinding circuit commenced early in December. Initially the circuit was 'run in' and filled using waste rock and lower grade development material from the surface stockpile. The traditional first gold pouring was made on February 20, 1974.

Projected ore treatment rates during the first half of 1974 will not reach the 1,000 ton per day capacity while necessary modifications and improvements are made in the milling plant in order to minimize bullion losses during this customary 'tune-up' period.

Metallurgical recoveries, presently attaining extraction rates up to 75% or better, are expected to improve progressively during the third and fourth quarters of 1974. The full capacity of the milling plant will be deferred until metallurgical

recoveries are sustained at higher levels. Currently milling rates are being restricted to approximately 50% to 60% of capacity and planned to increase to about 80% to 85% during May and June of this year.

Present estimates indicate that under optimum operating conditions and stabilization of mill feed from underground stopes, forecast metallurgical recoveries will be achieved with a resultant gold output rate during the second half of 1974 approximating 100,000 ounces annually.

Total ore reserves, as presently defined, amount to 3,171,629 tons averaging 0.290 ounce of gold per ton including a 15% dilution allowance. These reserves include 879,725 tons proven and probable ore and 2,239,940 tons of possible or drill-indicated ore. The main ore zone is open for extension both laterally and to depth.

The directors of your Company consider this substantial shareholding in Agnico-Eagle Mines Limited to be an excellent and valuable long term investment with anticipated substantial silver production during 1974 and the realization of capacity operations from the gold division during the year. It is anticipated that these two mining divisions of Agnico-Eagle Mines Limited should generate appreciable cash flow.

Financial

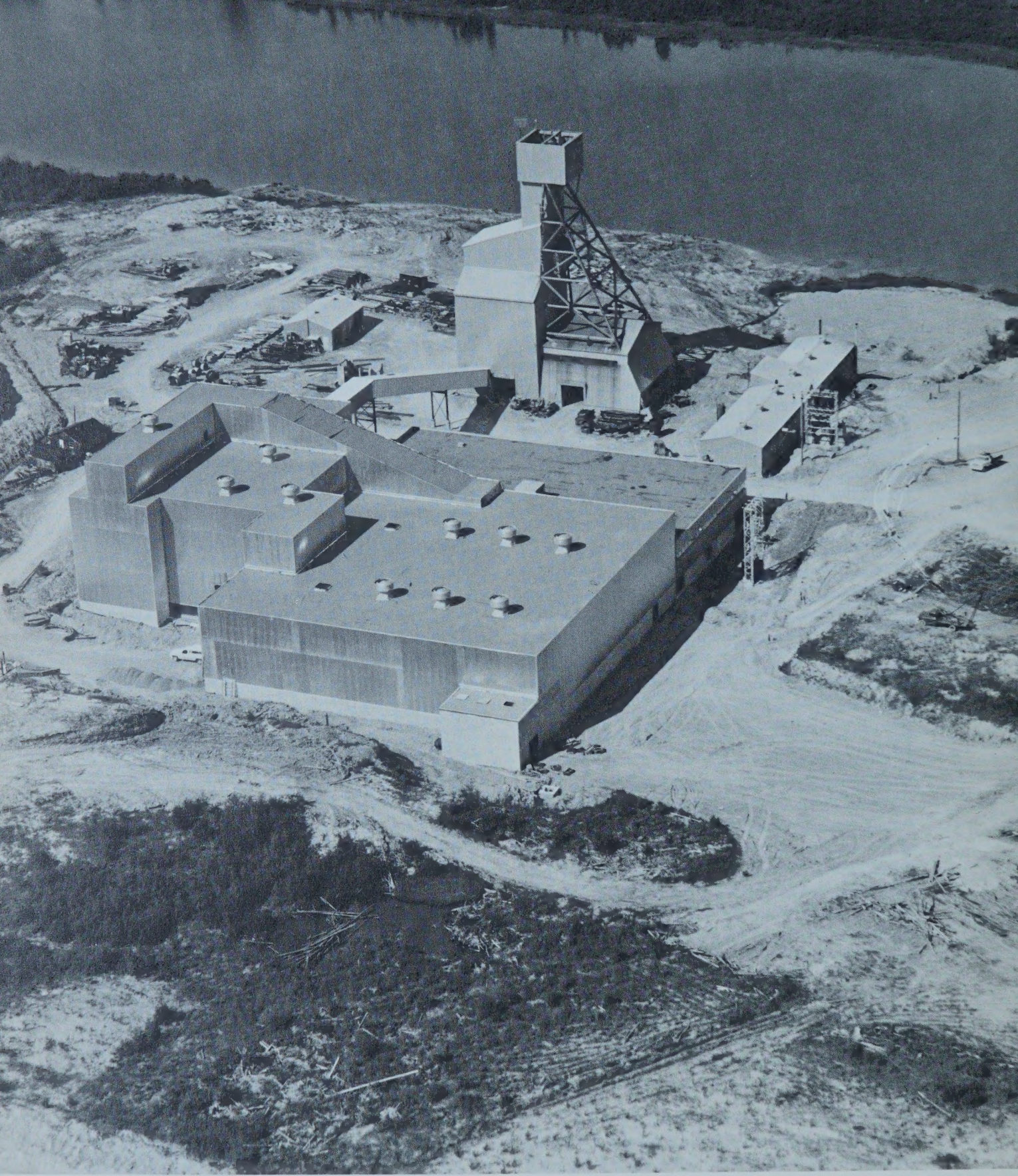
Your Company's working capital at December 31, 1973 amounted to \$1,809,961 which compares with \$1,476,877 the previous year end. Working capital includes marketable securities valued at cost of \$1,708,455 for 1973 and \$1,913,454 for 1972. The quoted market value of these securities was \$6,993,445 at December 31, 1973 and \$3,430,012 at December 31, 1972.

On behalf of the Board of Directors,

"PAUL PENNA"

President.

May 30, 1974.

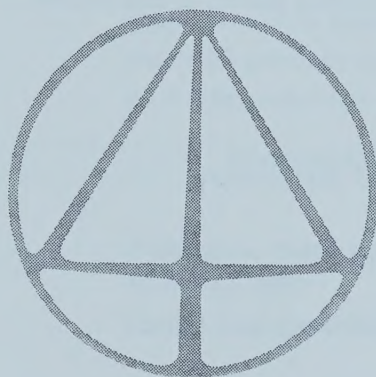


Aerial view of surface plant at Joutel Township gold mine of Agnico-Eagle Mines Limited. This picture was taken during final stage of construction.



MENTOR

EXPLORATION AND DEVELOPMENT
CO., LIMITED



FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31st, **1973**

BALANCE SHEET

ASSETS

CURRENT ASSETS

Cash	.....
Marketable securities, at lower of cost and market (market value 1973 — \$6,993,445; 1972 — \$3,430,012)	.....
Loans receivable	.....
Accrued interest receivable	.....
Prepaid expenses	.....

INVESTMENTS

Affiliated company	.....
— shares, at cost (market value 1973 — \$432,454; 1972 — \$494,233)	.....
— advances	.....
Other companies	.....
— unlisted and escrowed shares, at cost or less	.....
— advances	.....

FIXED ASSETS, at cost

Office furniture
Less: Accumulated depreciation

Mining claims and properties
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DEFERRED EXPLORATION EXPENDITURES (Note)

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Bank indebtedness, secured by certain securities	.....
Payable to brokers, secured by certain securities	.....
Accounts payable and accrued charges	.....

SHAREHOLDERS' EQUITY

Capital	.....
Authorized	.....
5,000,000 Shares, without par value	.....
Issued and Fully Paid	.....
3,455,746 Shares	.....

RETAINED EARNINGS

The accompanying note forms an integral part of these financial statements.

To be read in conjunction with the Auditors' Report to the Shareholders attached hereto dated March 22, 1974

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

As at December 31

1973	1972
\$ 23,155	\$ —
1,708,455	1,913,454
401,545	—
10,986	—
2,510	2,510
<u>2,146,651</u>	<u>1,915,964</u>

204,919	204,919
29,300	14,500

13,460	13,460
120	112
<u>247,799</u>	<u>232,991</u>

3,384	3,384
2,913	2,574
471	810
75,880	130,058
76,351	130,868
65,413	395,148
<u>\$2,536,214</u>	<u>\$2,674,971</u>

\$ 225,000	\$ 275,469
107,421	158,901
4,269	4,717
<u>336,690</u>	<u>439,087</u>

1,802,966	1,802,966
396,558	432,918
<u>2,199,524</u>	<u>2,235,884</u>
<u>\$2,536,214</u>	<u>\$2,674,971</u>

We have examined the balance sheet of Mentor Exploration and Development Co., Limited as at December 31, 1973 and the statements of administrative expenses and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL
Chartered Accountants

Willowdale, Ontario
March 22, 1974

Approved on behalf of the Board of Directors:

PAUL PENNA, Director

ARCHIE BASEN, Director

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

STATEMENT OF ADMINISTRATIVE EXPENSES AND RETAINED EARNINGS

	Year Ended December 31	
	1973	1972
EXPENSES		
Administration, office and accounting	\$ 10,800	\$ 10,800
Interest and bank charges	38,477	11,822
Legal and audit	5,594	8,000
Shareholders' information	6,436	6,611
Consulting fees, general	7,049	7,722
Transfer agent fees	1,629	1,849
Miscellaneous	2,615	2,188
Depreciation, office furniture	339	339
Directors' fees	600	400
	<u>73,539</u>	<u>49,731</u>
Less: Gain on sale of marketable securities and investments	398,701	152,689
Interest earned	23,141	—
	<u>421,842</u>	<u>152,689</u>
NET ADMINISTRATIVE REVENUE FOR THE YEAR	348,303	102,958
RETAINED EARNINGS — beginning of year	<u>432,918</u>	<u>330,960</u>
	<u>781,221</u>	<u>433,918</u>
Less: Mining claims and exploration expenditures thereon written down		
— Sycee Group	337,422	—
— Gillies Limit	32,012	—
— Cobalt Area	15,229	—
— Val d'Or Area	—	1,000
	<u>384,663</u>	<u>1,000</u>
RETAINED EARNINGS — end of year	<u>\$ 396,558</u>	<u>\$ 432,918</u>

The accompanying note forms an integral part of these financial statements.

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

	Year Ended December 31	
	1973	1972
EXPENDITURES DURING YEAR		
Licences, fees and taxes	\$ 749	\$ 747
Prospecting	—	1,000
	749	1,747
DEFERRED EXPLORATION EXPENDITURES — beginning of year	395,148	394,401
	395,897	396,148
Less: Amounts written off to retained earnings		
— Val d'Or Area	—	1,000
— Sycee Group	292,316	—
— Cobalt Area	15,229	—
— Gillies Limit	22,939	—
	330,484	1,000
DEFERRED EXPLORATION EXPENDITURES — end of year	\$ 65,413	\$ 395,148

SUMMARY OF DEFERRED EXPLORATION EXPENDITURES

	As at December 31	
	1973	1972
Hill Group	\$ 63,076	\$ 62,580
Halet Group	1,867	1,781
Chandler Group	470	428
Sycee Group	—	292,230
Gillies Group	—	22,900
Cobalt Area	—	15,229
	\$ 65,413	\$ 395,148

The accompanying note forms an integral part of these financial statements.

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS	Year Ended December 31	
	1973	1972
Gain on sale of marketable securities	\$ 398,701	\$ 152,689
Interest earned	23,141	—
	<u>421,842</u>	<u>152,689</u>
APPLICATION OF FUNDS		
Administrative expenses	73,539	49,731
Less: Depreciation	<u>339</u>	<u>339</u>
	73,200	49,392
Exploration expenditures	749	1,747
Advances to other companies	14,809	14,508
	<u>88,758</u>	<u>65,647</u>
INCREASE IN WORKING CAPITAL	333,084	87,042
WORKING CAPITAL — beginning of year	1,476,877	1,389,835
WORKING CAPITAL — end of year	<u>\$1,809,961</u>	<u>\$1,476,877</u>

The accompanying note forms an integral part of these financial statements.

NOTE TO FINANCIAL STATEMENTS

December 31, 1973

The amounts shown for deferred exploration expenditures represent costs to date less amounts written off and are not intended to reflect present or future values.

